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SUBJECT: ENERGY AND ENVIRONMENT DISCUSSED DURING
CONGRESSIONAL-EXECUTIVE COMMISSION ON CHINA (CECC) VISIT TO BEIJING

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¶1. (SBU) SUMMARY: During a visit to Beijing on October 26-30 (after stops in Chengdu and Shanghai), Congressional-Executive Committee on China (CECC) members Jonathan Stivers (Senior China Advisor to House Speaker Nancy Pelosi) and Gerry Waldron (Staff Director and Chief Counsel, House Select Committee on Energy Independence and Global Warming) met with members of China's Ministry of Environmental Protection (MEP), National Energy Administration (NEA), the Foreign Affairs Committee of the National People's Congress (NPC), and several environmental NGOs. The purpose of the CECC visit was to discuss potential cooperation between the U.S. Congress and Chinese government officials on energy efficiency and environment protection, assess China's key environmental challenges, and determine how the U.S. Congress might engage in the Strategic Economic Dialogue (SED). NGOs and government officials provided thorough briefings on China's energy efficiency efforts, environmental NGO activities in China, environmental challenges associated with growing energy demand, and China's environmental protection efforts and goals. All expressed the desire to expand on existing joint environmental cooperation and to explore new joint cooperation efforts. While eager to discuss these efforts, NGOs and Chinese government officials acknowledged they had no prior contact or experience with the U.S. Congress on energy or environmental issues, but were willing to explore joint cooperation with Congress, especially after the U.S. elections. END SUMMARY.

¶2. (SBU) During a limited country team briefing hosted by the Ambassador, the visitors solicited viewpoints around the table on the utility of the SED process (currency, bilateral investment treaty, sovereign wealth fund), environmental concerns (including global warming, enforcement issues, and potential U.S. exports of environmental technology to China), China's energy needs (reliability of data, price controls), and China's response to the global economic downturn. Stivers told the LCT that Speaker Pelosi was considering a trip to China in summer/fall of 2009, and part of the purpose of his travel here was to advance the trip, in particular looking at whether cooperation in energy and environment might be used as "positive" areas around which to focus the trip.

¶3. (U) At a NGO Roundtable hosted by the Brookings/Qinghua University Center for Public Policy, the environmental NGO community was represented by the China Foundation for International Strategic Studies, Beijing University, the Global Environmental Institute (GEI), the Natural Resources Defense Council, the Sustainable Development Consultancy, and the World Resources Institute. In

opening remarks, Stivers conveyed that Speaker Pelosi has a great interest in the work the NGO community is doing in China, particularly in the areas of energy and the environment, and emphasized the U.S Congress's desire to find ways of working together. The NGO representatives responded with an assessment of the progress they have made over the last ten years, particularly in greater information exchange and joint research projects with the government. On the environmental side, NGO participants also emphasized that the most effective role for them will be to continue developing unbiased information and innovative solutions, and bringing this type of work to the attention of key decision makers within the Chinese government.

¶4. (SBU) Some NGOs said they are encouraged that Chinese environment officials are becoming more receptive to NGO environmental assessments, particularly the NGOs that are viewed as "impartial," and take a non-advocacy tone in dealings with the government. NGOs also see opportunities in their feeding environmental information into the political system by forging greater ties to academic and research institutions, given that, according to some of the NGOs present, environmental policymakers are talking more and more with these groups. However, the representative from GEI opined that environment officials do not generally seek NGO assessments on environmental issues; instead, the mass media will be the key to greater public advocacy on environmental issues, and therefore become the means by which greater progress in dealing with China's environmental challenges will be made.

¶5. (SBU) All of the NGOs represented at the Brookings/NGO briefing agreed on the need to encourage continued cooperation within the NGO community and for the United States to maintain momentum and "sustained support" regarding environment and energy issues in China, as it will be years before China will be able achieve measurable progress in key areas, including calculating carbon

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dioxide emissions at a national level. Several NGO reps cautioned Stivers and Waldron that using U.S. models for meeting environmental standards as measures for progress in China will not likely be appropriate or effective.

(SBU) STRATEGIC ECONOMIC DIALOGUE (SED)

¶6. (SBU) At a briefing with Embassy ECON, ESTH, and Treasury officers, the visitors reviewed the current status of the SED process and discussed how Congress might become more engaged in the SED. Stivers said that Congress feels it could be more engaged in the SED process than it is now, possibly as observers, and could help build on what has already been done, particularly in the areas of currency issues, sovereign wealth funds, market access, WTO commitments, consumer safety issues, IPR, and energy and environment issues. Stivers then raised concerns about whether actual accomplishments had been achieved by the SED.

CHALLENGES FOR THE MEP

¶7. (SBU) In a meeting at the Ministry of Environmental Protection (MEP) hosted by Mr. TIAN Weiyong, Deputy Director General, Environmental Supervisory Bureau, Stivers began by congratulating MEP on its being raised to Ministry level in March 2008 from the former State Environmental Protection Administration (SEPA), emphasizing that United States-China environmental protection cooperation has made big strides over the last few years. Stivers added that they had traveled to China to explore further Congressional-Chinese cooperation on global warming and energy issues, to discuss challenges China faces regarding environmental protection, and to explore opportunities for greater United States-China joint environmental cooperation. According to Tian, China takes environmental preservation seriously and that sustainable development is an important part of China's environmental strategy. Senior MEP officials emphasized that China has made progress in reducing industrial pollutants and in carrying

out its water pollution abatement effort. But pollutants included in the 2005-2010 Five-Year Plan are currently limited to sulfur dioxide and COD (chemical oxygen demand, used to measure water quality) and, while MEP and the U.S. Environmental Protection Agency (EPA) have jointly worked on this effort, any decision to expand reduction targets to include other pollutants in the next five year plan will have to be decided by the NDRC. MEP reps insisted that with progress made dealing with water and atmosphere pollution, reducing other pollutants will eventually emerge as a higher priority in China for the MEP agenda.

18. (SBU) Tian acknowledged that China's environmental problems had increased and in some areas worsened over the past few years, but insisted that the central government and local authorities are trying to improve environmental quality across the country. The MEP monitors China's environment regionally via six MEP regional offices set up to monitor environmental protection at the local level to intensify environmental regulatory enforcement. When asked about exploring joint cooperation initiatives with the U.S. Congress, MEP officials said that they had no prior contact with the U.S. Congress on environment and energy issues, only experience with the Executive Branch. Their experience with the U.S. Environmental Protection Agency (EPA) had proven quite beneficial for China in the past, especially in the area of environment legislation and law enforcement. Other areas of MEP-EPA cooperation include water pollution, atmospheric pollution, toxic disposal, and solid waste disposal. Tian said that MEP values its relationship with EPA very highly, and hopes to draw on EPA environmental management strategies and on U.S. technology to help implement China's enforcement mechanisms for improving corporate environmental enforcement and cooperation within China.

NEA: EMPHASIS ON ENERGY EFFICIENCY AND DIVERSIFICATION

19. (SBU) After welcoming remarks from Mr. SUN Qin, Deputy Director General of the National Development and Reform Commission's (NDRC) National Energy Administration (NEA), Stivers praised United States-China (and potential U.S. Congress-Chinese government)

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environmental cooperation efforts, emphasizing that his visit comes in the spirit of understanding and is aimed at learning more about how decisions are made in China on challenges associated with energy and environment issues. Stivers praised the dedication of Chinese officials toward finding ways forward on common energy and environment issues, particularly on energy efficiency. Specifically, Stivers was interested in what incentives were in place for local governments to meet energy efficiency standards. NEA officials responded that since 2008-2020 is projected to be a growth period for China's economy, NEA must ensure the country's energy supply. To do this, there will be added emphasis on energy conservation, diversity of supply, and environmental protection. Policies have been put into place encouraging specific energy efficiency targets, but some provinces have failed to meet them. Sun said the government is gradually phasing out high-emission projects by shutting down small coal mines and oil refineries and by launching some highly-efficient power generating units. Sun also shared information on the Thousand Enterprises project, whereby 1,000 enterprises are required to upgrade emissions reduction capability on a regular basis to reduce pollution.

110. (SBU) Sun stated that China is diversifying its energy mix by bringing more hydro power (145 gigawatts (GW) generated in 2007), wind power (China generated six GW by the end of 2007 and aims to develop between 30-50 GW by 2020), and solar power (currently about 1 gigawatt) online, as well as implementing an ambitious nuclear power program. Sun acknowledged that while renewables are important, they will only make up a small percentage of China's energy production over the near term due to the high cost of these technologies and problems integrating renewables-generated electricity into the power grid. He further stated that that China will remain highly dependent on coal, which currently accounts for 70 percent of the country's power generation capacity (China produces 40 percent of the world's coal - about 2.3 billion tons per

year). Given its abundance of coal resources, Sun said that China is striving to become a leader in clean coal technology. China is currently involved in a carbon capture and storage project with Australia aimed at capturing 3,000 tons of carbon dioxide per year.

¶11. (U) In a brief discussion on biofuels, the NEA officials said that nine provinces in China would soon be requiring at least 10% ethanol in gasoline available for sale in those localities. Staff Director and Chief Counsel Waldron of the House Select Committee on Energy Independence and Global Warming also described U.S. efforts, including that of Congressionally-mandated targets of 26 billion gallons of ethanol in use by 2020 and encouraging specific (non-corn) sources of biofuels. Sun concluded the meeting by affirming that, in his view, the SED has been crucial in ensuring that the United States and China fulfill common responsibilities and goals in energy and environment for the benefit of the world. He also stated that the SED process remains a good forum to enhance mutual understanding, maintain a constructive dialogue, and reach consensus on energy and environment issues important to both countries.

NPC: COOPERATION DESPITE DIFFERENCES

¶12. (SBU) At a meeting with the Foreign Affairs Committee of the National People's Congress (NPC), chaired by Deputy Director Mr. MA Wenpu, both sides agreed that tremendous opportunity exists for Congress to become more involved in cooperative efforts, including those found within the Strategic Economic Dialogue. Ma emphasized that China and the United States have seen the benefits of mutual cooperation on many fronts, including in economics and trade, military and anti-terrorist issues, and in resolving issues in international hotspots. The NPC welcomes good relations with the U.S. Congress and seeks opportunities to increase mutual understanding, trust, and bilateral cooperation. Ma stated that while differences exist between the United States and China on Tibet and arms sales to Taiwan, the NPC welcomes exchanges with the U.S. Congress as a way for China to learn about U.S. experiences conducting its legislative process and governmental oversight, as well as possibly pave the way for cooperation in international challenges. He cautioned that the recent decision to sell arms to Taiwan "is not consistent with the trend of the times, is not conducive to peaceful development, and sends the wrong signals to Taiwan." Stivers agreed there is bound to be disagreement on some

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issues, but with continued dialogue, Congress hopes to work with China to find solutions to common problems, including energy efficiency and independence and global warming. Regarding a possible visit of Speaker Pelosi, Ma said he would report these plans to the NPC, and that regardless of the outcome of the U.S. election, the NPC is committed to ongoing cooperation with the United States.

¶13. (SBU) COMMENT: Chinese government and NGO interlocutors were anxious to convey to the CECC visitors the importance of the United States and China continuing their high-level economic dialogue established by the SED process, not only because of its success so far in raising economic issues to the most senior levels of both governments, but also because of the potential benefit that a SED-like process could have on future cooperation efforts on energy efficiency and global warming. After the U.S. election, based on the tone of the meetings described above, Chinese officials will likely be looking hard at the status of the SED in the new Administration, and at which part of the Administration takes the lead in keeping the SED process going. END COMMENT.

¶14. (U) The CECC delegation has been sent an information copy of this message.

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